

Dear Band Parents,

October 30, 2020

This has been an interesting year for us all! While your students have been focused on virtual classes and other challenges, the Band Booster organization has been using this time to review our practices and policies. Our goal has been to ensure we are in compliance with all Internal Revenue Service regulations for maintaining our tax exempt status and all state and local laws governing North Carolina non-profit organizations.

Based on our findings, we'll be making some changes including:

Limiting fundraisers that are resale of goods - IRS Publication 598 includes guidance that as a 501(c)3 organization (tax exempt), we may not: 1. participate in business or trade (defined as selling services or merchandise); 2. as a regularly carried on activity; 3. that is not substantially related to our purpose. Doing many fundraisers per year for which students (or parents) are selling merchandise at best may subject us to having to pay unrelated business income tax and at worst could jeopardize our tax exempt status. If you've ever wondered why Girl Scouts don't sell cookies all year, this is one of the reasons. Band Boosters will be working to identify other fundraising methods that don't put our status or funds at risk.

Discontinuing our practice of applying fundraiser efforts (to include Thrift Shop hours) to specific student accounts - In 2013, The U.S. Tax Court issued a memorandum (TCM 2013-193) sustaining the decision of the IRS in revoking the tax exempt status of an athletics booster club (Capital Gymnastics). In a nutshell the IRS and the Tax Court agreed that the club's practice of reducing membership fees (fair share) to participants based on their individual efforts in fundraising was inconsistent with the role of a public charity. The practice violates the tax law against private inurement arising from the activities of an exempt organization. To remain in compliance with tax law, Band Boosters must discontinue crediting specific student accounts with fundraiser proceeds. More information will be coming about how this process will work going forward. We understand this is a big change and ask for your understanding and patience as we work to craft a new approach to Fair Share and fundraising.

Making financial and budget information more transparent - Band Boosters recognizes the need to make the budget and expenses of the band programs more transparent to families and students. In 2021 we will be making our budget available to booster families and will be providing regular updates on spending compared to budget. We'll also be producing an annual financial report for your review.

We want to assure you that we're open to input from our band families regarding the above and we recognize that many of you have leveraged Thrift Shop hours and fundraisers in order to be able to pay Fair Share. We still plan to have a partial scholarship program available and we will still fund raise in order to reduce the cost of participation for everyone.

If you'd like to ask questions or provide input about any of the above, please email Ann McDowell at [northwoodbandtreasurer@gmail.com](mailto:northwoodbandtreasurer@gmail.com). Ann will be answering parent questions to the best of her ability and compiling responses for the Band Booster Executive Committee.

Thank you for helping us make the band programs at Northwood possible.